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Congress Planning to Curb Growth of Medicare Budget

By ROBERT PEAR

WASHINGTON, Oct. 24 — Congress will create a mechanism to slow the growth of Medicare spending when it adds drug benefits to the health insurance program for the elderly, the chairman of a panel writing the law said on Friday.

The chairman, Representative Bill Thomas, Republican of California, said House and Senate negotiators were devising such a mechanism to ensure that the program was fiscally sustainable. Without it, Mr. Thomas said, the final measure cannot win approval in the House, which passed the original bill by one vote in June.

Congress has set aside $400 billion over 10 years for the new drug benefits. Conservative House Republicans have said they will not vote for the measure unless it has a cost-control mechanism and promotes competition between traditional Medicare and private health plans.

"The current Medicare program, without adding any benefits, is not sustainable," Mr. Thomas said. "I don't believe you can pass — I know in the House you can't pass — a simple $400 billion expansion of the Medicare program."

Democrats who want a drug benefit for the elderly have to realize that "one of the costs of getting it is to address the long-term insolvency of the Medicare program," Mr. Thomas said.

Medicare is now an open-ended entitlement. The government sets payment rates for thousands of medical services, but there is no overall limit on Medicare spending, which now exceeds $270 billion a year and is generally expected to grow by 90 percent in the next 10 years.

Mr. Thomas said the House and Senate negotiators were considering proposals to slow the growth of spending on traditional Medicare if it cost more than competing private plans. He spoke cryptically about a "comparative cost adjustment mechanism" to hold down costs.

"Under certain circumstances, in certain conditions, for certain locales, for certain people, there could be a comparative cost analysis between a program that's going broke and one that might be able to sustain itself," said Mr. Thomas, who is leading efforts to meld bills passed by the House and the Senate.

The House bill would require traditional Medicare to compete directly with private plans in 2010. If traditional Medicare had higher costs, its beneficiaries would have to pay higher premiums.

That plan, known as premium support, is anathema to many Democrats. They say it would undermine traditional Medicare, which serves 88 percent of the 40 million beneficiaries.

Senator Charles E. Grassley, Republican of Iowa, said: "No one wants to talk about premium support. Just the words themselves create some problems."

The "cost adjustment mechanism" envisioned by Mr. Thomas is apparently a new way to achieve the same goals, promoting competition and controlling costs.

The Congressional Budget Office estimated that the competition in the House bill would save less than $1 billion from 2010 to 2013. Many private plans would cost more than traditional Medicare because they pay doctors and hospitals more, the budget office said.

The Bush administration did not propose the type of competition required under the House bill.

"Philosophically, you could make a good argument for it," Thomas A. Scully, administrator of the Centers for Medicare and Medicaid Services, the Medicare agency, said this year. "But — and this is where we become concerned — it could potentially impact premiums, and we are very concerned about protecting premiums to make sure they don't go up."

Senator Max Baucus of Montana, one of two Democrats allowed to participate in the conference committee's work, said on Friday that the competition proposal was "the biggest obstacle" to agreement on the Medicare bill.

"The 800-pound gorilla has not been wrestled to the floor," Mr. Baucus said.

Adding drug benefits to Medicare would be the biggest expansion of the program since its formation in 1965. Mr. Thomas said it would be irresponsible to take such a step without simultaneously establishing some procedure to review and constrain overall Medicare spending.